

**FEE-FOR-SERVICE IN THE
WORKFORCE INVESTMENT SYSTEM:**

**ADDING VALUE FOR YOUR
BUSINESS CUSTOMERS**

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FEE-FOR-SERVICE IN THE WORKFORCE INVESTMENT SYSTEM: ADDING VALUE FOR YOUR BUSINESS CUSTOMERS

I. INTRODUCTION

In many areas of the country, workforce preparation is felt to be the single biggest issue in economic development. Many businesses are unable to expand or improve productivity due to workforce issues. ***The Workforce Investment Act of 1998 clearly recognizes that the workforce investment system must address the needs of both the workforce and workplace communities if we are to compete successfully in this country and in the global economy.***

The business community has emerged as a primary customer of the system, the customer that holds the key to bringing the workforce investment system into the mainstream. The new system will be judged to have worked if “businesses actively use the workforce investment system to fill their labor force needs, if “graduates” increase their skills and earnings, and if more and more Americans seek access to the system’s services.”¹

This paper explores how **fee-based services** can be used by publicly-funded workforce investment programs to provide better and more complete service to employers – ***to add value for the business community.***

II. WHAT BUSINESSES NEED

In today’s growing economy, businesses are facing major workforce issues, and they are responding in new ways. **For example, *The Skills Gap --The Shortage of American Workers: A Growing Challenge to the American Economy***, a 1998 study by the National Association of Manufacturers, Center for Workforce Success, reports that:

- ✍ The vast majority of manufacturers (88%) report difficulties in finding qualified candidates. Most manufacturers typically reject between one-half and all applicants as unqualified.
- ✍ Most manufacturers (62%) report that job applicants have inadequate technical skills and lack relevant work experience.
- ✍ Most manufacturers say that incumbent workers possess serious deficiencies in math skills and oral and written communications; and that they lack basic employability skills, such as timeliness.

¹ U.S. Department of Labor White Paper on “Implementing the Workforce Investment Act of 1998,” October 8, 1998.

- ✍ Skill deficiencies and ineffective skills among employees have prevented businesses from improving productivity and/or expanding.
- ✍ Most manufacturers (76%) are recruiting in new ways. They are putting more resources into recruiting, using new recruitment strategies, raising entry-level wages, targeting new populations and using public agencies.
- ✍ Manufacturing businesses are spending more money on training for non-exempt employees. There is a fourfold increase in spending in this area over the last six years.
- ✍ The vast majority (87%) will maintain or expand their current level of employee training and development during the next year.
- ✍ Nearly half (49%) say they use or are willing to use “One-Stop” workforce development centers for recruiting and training new non-exempt hires.²

One-Stop Career Centers are at the heart of the new workforce development system. Ideally, One- Stop Centers combine the resources of a variety of State- and locally-operated workforce investment programs into a single, customer-focused system. Each One-Stop offers a set of free “core” labor exchange services to employers that generally include the following:

- ✍ Soliciting, accepting and posting job orders
- ✍ Screening (generally paper only) and referral of qualified candidates
- ✍ Labor market and other employment-related information
- ✍ Information on hiring incentives

Businesses, of course, want services that truly deliver what they need as documented by the findings in *The Skills Gap* report referenced above. When surveyed, employers repeatedly state that they want public agencies to help them recruit appropriate workers. **That is their Number One need.** Businesses also say they want:

- ✍ Quick and cost-efficient service
- ✍ Timely follow-up
- ✍ Personal contact with workforce staff who take the time to visit and understand the business
- ✍ Screened referrals, i.e. the filtering out of unqualified candidates

"Free" services that do not help address these issues are actually seen by employers as a lost cost ~ they cost time, money, wasted effort and unneeded stress. On the other hand, many businesses are willing to pay for customized services that solve their workforce problems.

² All of these findings were reported in *The Skills Gap --The Shortage of American Workers: A Growing Challenge to the American Economy*, published in 1998 by the National Association of Manufacturers, Center for Workforce Success, and Grant Thornton, LLP.

As states and local areas move to implement the Workforce Investment Act, they are developing standards that try to measure the value that businesses place on these kinds of customized services. These are measures such as:

- ✍ Increases in employer utilization
- ✍ Repeat business by employers
- ✍ Employer job listings from a cross-section of the local economy
- ✍ Employer customer satisfaction

III. FEE-FOR-SERVICE PROGRAMS

The Workforce Investment Act (WIA) specifically authorizes One-Stop Career Centers to provide “customized employment-related services to employers on a fee-for-service basis.”³ In fact, a small number of progressive workforce development agencies have been offering fee-based services for some years now, some more than 10 years.

Since 1996, the Hampden County, Massachusetts Regional Employment Board has been conducting nationally recognized research into fee-for-service under a system-building grant from the U.S. Department of Labor. The research has consisted of two nationwide surveys and several detailed case studies of the pioneering, progressive organizations that have successfully implemented fee-for-service activities. The research has shown that fee-based services are generally offered in order to provide better and more complete customer service. Programs use fee-based services in order to “say yes” to whatever an employer needs.⁴ Fee-based services allow workforce investment programs to:

- ✍ Respond to the immediate needs of businesses in ways not feasible or possible strictly through government programs.
- ✍ “Branch out” into new areas where there is a clear market need
- ✍ Respond to “gaps” in service in a local area
- ✍ Explore the role of fee-based services within the context of a One-Stop Career Center

Underlying all of these is the increased focus on customer needs and customer satisfaction and the recognition of the workplace as a primary customer, co-equal with the workforce. The fee-for-service activity that has taken place in the agencies were a logical outgrowth of the development of these programs. Thus, legislation has caught up with reality.

Who will buy? All of the research has shown that the main customers for fee-based service are businesses that are satisfied with the organization’s free services or businesses that are intimately involved in setting the direction for these programs, i.e. workforce board member companies. Programs currently

³ Workforce Investment Act, Section 134(e)(1)(B)

⁴ Joann Kleinman, from NOVA PIC, February 4, 1999

engaged in fee-for-service activity believe that it has helped them become more responsive to all workplace customers, whether they pay a fee or not. Fee-based services have tended to add diversity and choices to the services offered by an organization. The following illustrations of successful fee-for-service programs are taken from the research done through the project.

IV. EXAMPLES OF VALUE-ADDED FEE-BASED SERVICES

The following are the services most commonly offered for a fee that have added value to businesses in their communities, followed by specific examples:

- ✍ Targeted recruitment
- ✍ Customized recruitment and screening
- ✍ Skills testing
- ✍ Pre-employment and upgrade training
- ✍ Climate/turnover surveys
- ✍ Outplacement services
- ✍ Consulting services or information seminars for employers

<p><i>Private Industry Council of Chautauqua County, Jamestown, New York</i> <i>(http://www.piccha.org)</i></p>

This is one of the premier examples of a local workforce program that is very focused on the “demand” side and believes that, especially under WIA, local programs must have this emphasis in order for its workforce programs and activities to be successful. The PIC of Chautauqua is in a close relationship with the County’s economic development agency, which devotes a large part of its budget (county taxpayer dollars) to workforce development efforts of all kinds.

The emphasis on workforce development was a “hard sell” to local elected officials 10 – 15 years ago when there was a labor surplus, but the commitment was made. The PIC has been receiving funds from the county economic development agency since 1987 and has been offering fee-based services since that time. It views its customers as all employers and all members of the workforce - employed as well as unemployed. The PIC’s main fee-for-service activities at present are:

The Teaching Factory, which is a permanent facility, run by the PIC, that offers pre-hire and upgrade training for local employers. All training is customized to suit customers, who may be either one employer or a group of employers. The PIC is currently developing pre-apprenticeship training for particular labor unions in the area. Depending upon what specific assistance or subsidies companies are eligible for, these companies may pay all, part, or none of the cost of training. There are no eligibility criteria for trainees, who range from employed individuals to recipients of public assistance. Training generally ranges from 3 weeks to 6 months, distinguishing it from courses usually available from the community college. Much of the training is in various manufacturing trades, such as grinding, welding, sheet metal or CNC.

Targeted recruitment, customized recruitment and screening, company-specific job fairs. While the PIC has been offering this service for quite some time, it is especially in demand in the labor shortage economy of the present. Employers of all types are buying these services from the PIC because they deliver what the employer needs.

Consulting Services, such as training in the ISO 9000 and QS 9000 international quality standards.

North Valley (NOVA) Private Industry Council, Sunnyvale, California
(<http://www.novapic.org>)

NOVA is a highly-recognized workforce investment program that is innovative, flexible and very attuned to employer needs. Within the last two years, a great deal of energy has gone into forming a responsive One-Stop system capable of bringing all of its resources together “to meet the demands of change in Silicon Valley.”⁵ Silicon Valley is a particularly volatile economy, where “companies ramp up or downsize almost daily. New technologies pop up, seemingly overnight, and skills become obsolete. Jobs open and close at a rapid pace as companies shut down one division to concentrate on another.”⁶ As NOVA’s Employer Services promotional material says, “Services are offered at no cost when grant moneys are available. Fee-based services are offered to complement government resources.” Within this context, some of NOVA’s fee-based services to employers include:

Outplacement Services. Even in a good economy, some companies are downsizing. NOVA’s fee-based outplacement services are often complemented by discretionary dislocated worker grants.

Grant Writing. NOVA helps employers write grants to secure funds to help them train and upgrade their workforces. These funds are available through a State program.

Western Wisconsin Private Industry Council, Inc., La Crosse, Wisconsin
(<http://fp1.centuryinter.net/pic/>)

This PIC has a solid record of achievement in workforce development and related initiatives going back more than 10 years. The Board has strong private sector leadership and has been devoted to the area’s economic growth for some time. This organization has taken the novel approach of creating a different name, organization chart and identity for its fee-for-service effort, within the same legal entity (WWPIC, Inc.). *Employment Solutions* offers fee-based services to employers.

⁵ www.novapic.org/About

⁶ Ibid.

✍ *Employment Solutions* has taken great pains to learn and use the terminology its business customers use and to develop marketing materials and products that speak their language and address their needs. At present, with the unemployment rate hovering around 3%, there has been more demand for the following services:

✍ **Employee retention.** As the marketing material says, “Once you find the right employees, you want to keep them. But how do you maintain productivity and employee satisfaction?”⁷ The services offered in answer to this include turnover analysis, employee satisfaction surveys and focus groups, and a review of personnel management policies and practices

✍ **Recruitment & Hiring.** *Employment Solutions*’ marketing material recognizes, “You want to recruit the best applicants without spending excessive time and money on want ads, screening, and interviewing.”⁸ The services offered to address this include labor market data and analysis, customized recruitment and screening, hiring procedures analysis and assistance with human resource policies.

FutureWorks Career Center, Springfield, MA (<http://www.futureworks-now.com>) and CareerPoint Career Center, Holyoke, MA (<http://www.masscareers.state.ma.us/CareerPoint>)

The One-Stop model adopted in Massachusetts included fee-for-service as a required component in the chartering of Career Centers. The Regional Employment Board (REB) of Hampden County, Inc., based in Springfield, crafted a policy statement which notes that while fee-for-service should never displace free services, “fee-based activities are an important tool for satisfying the needs of both employers and job seeker customers...”⁹ Both Centers have found themselves in an increasingly close relationship, fostered by the REB, with local economic development agencies. For example, when new companies are considering a move to or expansion in the area, FutureWorks provides both data and services that add value to the company. The main services found to be in demand at present include:

✍ **Facilitation of Job Fairs**, including locating a venue, marketing, and development of a candidate pool. Some of these job fairs are company-specific (as in the case of a new or expanding company); others may be for a trade organization or other similar group. For example, FutureWorks is currently under contract to do a large-scale job fair for the Western Massachusetts Software Association.

⁷ fp1.centuryinter.net/pic/

⁸ Ibid.

⁹ Regional Employment Board of Hampden County, Inc., Policy: Core vs. Enhanced Services

- ✍ **Pre-screening of Applicants.** This usually involved the administration of typing or computer skills tests or pre-screening interviews.

The Work Place, Boston, Massachusetts (www.masscareers.state.ms.us)

As with the Hampden County Career Centers discussed above, The Work Place was chartered under the Massachusetts One-Stop model that included fee-based services as a required component. If all goes according to plan, the Work Place will generate 5% of its revenues this year through fee-for-service. Of this amount, 80% is expected to be from services to employers. The services found to be in demand at this time are all related to recruitment. They include:

- ✍ **Job Fairs, both large and small.** These may be for one employer, a group or an organization. For example, The Work Place conducts a large job fair every year for all employers at the airport under contract to MassPort, the quasi-governmental agency that operates the airport. In another interesting example, the State's Department of Revenue (which collects taxes and is also responsible for collecting child support) contracted with The Work Place to conduct two job large fairs for individuals who are court-ordered to pay child support but are unable to due to unemployment.
- ✍ **On-site recruitment,** on the premises of companies.
- ✍ **"Information Tables" at the Career Center.** For a month at a time, on a rotating basis, employers pay a fee to equip a table in the Resource Room with information about the company.

V. MAXIMIZING OPPORTUNITIES FOR VALUE-ADDED SERVICES

Each local workforce investment program that offers fee-for-service has found its own "niche." This niche vary from one area to another depending on need, competition, and the strengths of the particular local program. In general, the programs that are successful in offering fee-based services have certain attributes that allow them to find their niche and maximize opportunities for value-added services, be they free or fee. Successful workforce development organizations are:

- ✍ ***Strongly supported by their Workforce Boards.*** Strong, business-led boards are interested in fee-for-service. They are committed to high-quality, customer-focused services and believe that the business community must be highly satisfied with services offered.
- ✍ ***Highly driven by business' needs.*** Workforce investment programs must focus on the needs of employers in the local economy. Many workforce development programs are allying themselves with economic development agencies that by their nature are dedicated to creating jobs and encouraging economic prosperity by attracting, strengthening and supporting businesses. The Chautauqua County PIC is "at the table" with economic development

agencies from the very start. The FutureWorks Career Center is involved with economic development organizations as they try to “sell” employers on coming into the area. A successful alliance with economic development agencies can make workforce development programs real players in the creation of net new jobs in an area.

The service focus must be on providing employers with the products or services they need, whether directly or through partnering with another agency or by brokering the service. Effective programs do not duplicate what is already available or complete unnecessarily with other providers. They make the needed services more accessible to employers. This has been the goal of the NOVA PIC as it implements the One-Stop concept.

If the needed services are not readily available to employers, customer-focused programs create them. They complement the services that are already available in the area with those that are not. They fill in the gaps. The Chautauqua PIC has done this with ISO 9000 training. The Western Wisconsin PIC has become involved in several areas within human resource management. Many programs have become involved in specialized recruitment efforts, which appear to be a natural niche, because this activity is an extension of the services these organization offer for free. The staff tend to be skilled and experienced in this area.

- ✍ ***Flexible, customer-focused and quick to respond.*** Most fee-for-service activity starts with an opportunity that is acted on quickly. Sometimes this involves an employer who is hiring or downsizing quickly and needs immediate service.
- ✍ ***Entrepreneurial in approach.*** Organizations that are successful in offering value-added services often work in an atmosphere where creativity is encouraged and staff feel comfortable exploiting opportunities that arise. Many successful organizations have a diverse funding base from both public and private sources, which reflects a broader entrepreneurial spirit.

VI. SUMMARY AND RESOURCES AVAILABLE

Employer support of the workforce investment system is critical to its success. Clearly, this support will be based on whether the system meets their needs and whether there is an advantage to be gained by using it.

Fee-based services are one vehicle for adding value for the workplace community and the system is ready and poised to take advantage of this vehicle:

- ✍ The New Workforce Investment Act authorizes fee-for-service as an optional service;

- ✍ Fee-for-service services allow the workforce investment system to address the true "core" needs of businesses and to be more responsive to their most pressing concerns; and
- ✍ Fee-for-service has been proven to be an important tool to help one-stops serve their employer customers in "value-adding" ways as explored and tested with good results by the above mentioned "pioneers."

We hope that readers of this publication will take advantage of this opportunity to enhance your service mix to the benefit of your communities and your employer customers and the following resources stand ready to help you.

The Fee-for-Service Research project maintains a web site with extensive information on fee-for-service (see Attachment A.] Visit the site at <http://www.usworkforce.org/onestop/careercenter>. The Project also maintains a toll-free telephone line for information on this subject and to obtain hard copies of products, for those without internet access.

Call Christine Abramowitz, the Project Director, at 1-800-787-1516.

Attachment A -- Fee-for-Service Web Site Resources

OTHER PRODUCTS / RESOURCES ON THE FEE-FOR-SERVICE WEB SITE: **<http://usworkforce.org/onestop/careercenter>**

- * A "**Frequently Asked Questions**" document to provide common questions on fee-for-service.... and some answers!
- * An "**Introduction to Fee-for-Services**" that provides a step-by-step summary for how to get started.
- * A "**First Impressions**" study of FFS activities among "cutting" edge organizations.
- * A comprehensive **survey** of workforce development organizations and a resulting report on FFS activities as they exist today.
- * **Case study write-ups** of organizations who have been operating FFS programs:
 - ✍ The Cumberland County Training Resource Center (TRC) in Portland Maine
 - ✍ The Private Industry Council of Chautauqua, Inc. in Jamestown, NY
 - ✍ Minnesota State Department of Employment Security
 - ✍ NOVA PIC in Sunnyvale, CA
 - ✍ Western Wisconsin PIC, Inc. in LaCrosse, WI
- * "**Fee-for-Service: The Current Picture**" publication that combines the key findings and observations from all the research activities and describes FFS in a context of workforce development activities as it exists today.
- * "**Fee-For-Service in the Workforce Development System: A Primer for Workforce Boards**" publication to help Boards that are interested in investigating fee-for-service for their own local organizations.
- * **Business Plans** from Western Wisconsin PIC, Inc. (along with a **template** for your own fee-for-service business plan!) and Career Resources, Inc. in Louisville, KY.
- * A "**Cost Guide**" to help you think through key money related issues: determining the real cost, setting a fee, program income vs. unrestricted revenue, etc.
- * A review of existing written literature and "cyber" information related to the concept of FFS.
- * Selected **cites of related Law/Regulations/OMB Circulars** related to FFS extracted from various sources.
- * The CESER report on the Talent Bank Project Research that addresses legality of assessing user fees by state agencies and provides state-level analysis of applicable state statute.
- * **Linkages to:**
 - ✍ Other workforce professionals who can be "peer-to-peer" resources
 - ✍ Other DOL funded system building grantees that worked on fee-for-service components
 - ✍ Foundations and corporate giving programs, and other related web sites
- * **And More!**